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United States Virgin Islands

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I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. Visited by Christopher Columbus in 1493 (along with what are now the British Virgin Islands), the islands were Danish territory from 1754 to 1917 when they were purchased by the United States of America. They were administered by the United States Navy until 1931, after which they came under the administration of the United States Department of the Interior. Currently, the Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for the Territory and other insular areas. The Office of Insular Affairs Strategic Plan for 2000 to 2005 is based on two goals: assisting the Islands in developing more effective government by providing financial and technical assistance, and helping to manage Federal-island relations by promoting appropriate Federal policies.[2]

3. According to the United States Census results released in July 2001, the population of the Virgin Islands in 2000 stood at 108,612, an increase of 7 per cent (6,803 persons) since the previous census was conducted in 1990.[3] Currently, those born within the United States and its territories make up 66.8 per cent of the population. The percentage of residents born outside the United States has remained stable in the past decade, from 33.9 per cent in 1995 to 33.2 per cent in 2000. Foreign immigrants are mostly from the Eastern Caribbean and the Dominican Republic, while domestic migrants come from Puerto Rico and the mainland United States (see A/AC.109/2002/4, paras. 3 and 4 for further details).

II. Constitutional, legal and political aspects

A. General

4. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. With the adoption by the administering Power of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a popularly elected Governor, who appoints, with the advice and consent of the Legislature, the heads of the executive departments.

5. Since the Organic Act of the Virgin Islands was revised by the administering Power in 1954, there have been five attempts to replace it with a locally written constitution approved by the people of the Territory that would organize the internal mechanisms of government. None of the five attempts was successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and, of those, 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the electorate had vot d. In 2000, legislation was introduced in the territorial Senate to create the mechanisms for the establishment of a constitutional convention; however, the bill died when the

Legislature was adjourned at the end of the year. According to media reports, in August 2001, a territorial senator again introduced a draft bill requesting the Legislature to convene a constitutional convention in 2003,[4] but no further action was reported. The draft constitution emerging from the convention would have to be submitted to the Territory's electorate in a referendum and, subsequently, to the United States Congress, which has the power to amend, approve or reject it. In this connection, in May 2000, the legislative process began in the House Resources Committee in Washington, D.C., for the passage of a proposed bill (H.R. 3999) to clarify the process for the United States Virgin Islands and Guam to adopt a local constitution (see A/AC.109/2002/4, para. 6 for further details). However, the House Committee of the Whole never acted on the bill and, as per congressional rules, it expired.[5] In January 2003, the Governor announced during his State of the Territory address that he would advocate convening a Fifth Constitutional Convention to draft a constitution that "will allow for more effective government and a structure that is responsive to the needs of all residents and enhances and empowers local autonomy for the islands of St. Croix, St. John and St. Thomas through municipal government".[6]

6. The judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed by the President of the United States with the advice and consent of its Senate; and the United States Territorial Court of the Virgin Islands, whose nine judges are appointed by the Governor. The Federal District Court has jurisdiction in civil, criminal and federal actions. During his State of the Territory address in January 2003, the Governor noted that the United States Virgin Islands is the only jurisdiction under the United States flag that does not have its own appellate court to interpret its laws. He stated that through the Omnibus Territories Act, the United States Congress had authorized the creation of a Virgin Islands Supreme Court 20 years ago, and that Guam had taken such a step in 1996. He urged the island Legislature to pass a constitutional convention bill to allow for the establishment of such a court, which he said, would be a significant milestone in the island's quest for greater self-determination.

7. The Legislature, a unicameral body currently comprising 15 senators, is elected for a two-year term by a popular vote (see para. 8 below on legislative steps to change the number of senators). The Legislature has the power to enact such laws as are consistent with federal laws made applicable to the Territory by the United States Congress and do not impair rights guaranteed by treaties, international agreements, or rights contained in the Organic Act's Bill of Rights. Under the latter are enumerated, inter alia, rights of due process and equal protection, and freedoms of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local legislature. The United States Virgin Islands is represented in the House of Representatives of the United States Congress by a popularly elected delegate who may vote in the committees in which he or she is a member, but not in floor votes. There is no representation in the United States Senate, nor does the Territory have the constitutional right to participate in elections for the President of the United States. In this respect, in his 2003 inaugural address, the Governor referred to the Virgin Islanders having paid the same price in war and in peace as other Americans, and added "it is only fair that we be entitled to all the benefits of United States

citizenship, including voting for President and Vice-President, as well as full voting privileges in the Congress".[7]

8. In 2000, preliminary steps were taken to reduce the size of the Legislature from 15 to 9 members. While this reduction was actively sought by the Territory's Delegate to the United States Congress and later overwhelmingly supported by island voters in a November 2000 referendum (see A/AC.109/2002/4, para. 9), the measure was defeated by 10 votes to 5 when the draft bill was discussed in the Territorial Senate on 18 July 2001. The issue of downsizing the Legislature recently resurfaced in the context of public protests over legislators' approved pay hikes in December 2002. A bill is expected to be re-introduced in early 2003.[8]

B. Recent elections and political issues

9. There are three political parties in the Territory: the Democratic Party, the Independent Citizens' Movement and the Republican Party. The most recent elections to elect the Territory's Governor, its 15-member Legislature and its Delegate to the United States Congress were held on 5 November 2002. In the gubernatorial elections, incumbent Charles W. Turnbull of the Democratic Party, in office since January 1999, was re-elected for a further four years, with 50.15 per cent of the votes. Another incumbent, Donna Christensen of the Democratic Party, was re-elected into her fourth two-year term as the United States Virgin Islands Delegate to the United States Congress. The next election for the Legislature and the Delegate to the United States Congress will be held in November 2004.

10. The legislative elections resulted in the election of 15 senators, namely, 8 Democrats, 2 members of the Independent Citizens' Movement and 5 non-party affiliates.[9]

11. During the annual State of the Territory address in January 2004, Governor Turnbull made reference to the "difficult challenges" the Islands faced in 2003 in the areas of fiscal matters, crime, especially violent and drug-related and organized gang-associated crime, waste management, education, health care as well as providing for the adequate needs of the people in the area of human services. He said that despite the difficult times, the Government had ended fiscal year 2003 with no mass layoffs of government workers, and no dreaded payless pay days. Accordingly, the State of the Territory he was reporting on was one of cautious optimism, requiring strong fiscal restraint, social discipline and smart economic growth.[10]

III. Budget

12. The precarious fiscal condition of the Territory at the end of the 1990s and the measures taken at the federal and local levels to avoid bankruptcy have been described in detail in previous working papers (A/AC.109/2001/3, paras. 13-17 and A/AC.109/2002/4, paras. 13-17). Since 2000, the Territory's budget has been agreed on in the framework of the Office of Insular Affairs' 2000-2005 Strategic Plan, which, inter alia, calls for all insular governments to implement long-term plans to improve financial management by 2005. In this respect, the Office of Insular Affairs reiterated that the level of economic assistance given to the Territories will be

determined by the responsiveness of the local public auditor's office, in order to protect federal investments from "waste, fraud and abuse".[11] According to the Governor, his administration has worked painstakingly to revitalize and strengthen the relationship with the federal Government by completing long-overdue audits and bringing the local Government into compliance with federal auditing standards for the first time. The new confidence placed in the Virgin Islands by the federal agencies has reportedly led to an increase in federal grant funding by some 50 per cent since 1999. Auditing has also indicated progress towards a structurally balanced budget. According to the Governor, the audits show continuous financial improvement since fiscal year 1999, which ended with a deficit of $50 million. Thus, fiscal year 2000 ended with a deficit of $8 million and fiscal year 2001 ended with a surplus of $35 million.

13. While some slippage was anticipated for fiscal year 2002, the Islands suffered financial reverses in 2003, as was the case in most of the mainland United States due to the national economic downturn. Federally imposed tax cuts alone produced an estimated $57 million in revenue losses, which combined with a number of local factors caused the Government to slip back into deficits. In 2004, the Territory will receive $5 million from the United States Treasury Department to help offset those losses. To address a projected deficit of $152 million in the spring of 2003, the Government embarked on numerous cost-cutting measures to reduce allotments to departments and agencies for total reductions of $46 million. In July 2003, legislation was approved for the issuing of $235 million in new bonds. In January 2004, the Governor said that those bonds would be used for $100 million in new working capital while the rest would serve as new capital investment for infrastructure development and future economic growth.

14. According to Governor Turnbull, moderate improvements in the national economy in the second half of 2003, in some measure, helped the Government's financial position. That improvement in the economy, the recovery of the stock market in the latter part of the year, and the effective and aggressive promotion of the tourism industry helped to allow for slightly better than expected tax receipts and increased total revenues by the end of the fiscal year. As a result of those actions, preliminary financial statements indicate that the Government finished the 2003 fiscal year with a structural deficit, exclusive of borrowing, of approximately $92 million, 40 per cent less than had been projected earlier.[12]

15. According to the Governor there was also continuing progress in 2003 in efforts to reduce the burden of the Territory's accumulated debt and to generate new sources of revenue, both at the local and federal level. After securing the cancellation of the $46 million Hurricane Hugo loan in December 2001, his Government was continuing discussions with the Federal Emergency Management Agency (FEMA) for the cancellation of the outstanding balance of the $180 million Hurricane Marilyn loan. In addition, the Governor reported that just prior to the Congressional recess at the end of 2003, in order to protect the Territory's rum industry the House had passed an extension of the new rum tax rebate formula, and the Senate was expected to follow suit upon return in February 2004.

16. In November 2003, the Delegate to Congress, Donna M. Christensen, introduced controversial legislation in Congress to create both a position of chief financial officer for the Virgin Islands and to institute a financial management system for the Territory. Ms. Christensen said that it would be a step in the process

of permanently solving the Territory's recurring fiscal problems. The measure called for the chief financial officer to be appointed by the Governor, subject to confirmation by the Legislature, for a five-year period that would not be concurrent with the term of the Governor. According to a release from the Delegate, the chief financial officer would assume the functions of the Office of Management and Budget and would "oversee and approve all spending of the Government ... and be authorized by law to disapprove items of spending which would send the Government into financial deficit". After a number of public hearings on the proposals, Congress is expected to take up the bill in May 2004.[13] The proposal was strongly rejected by the Turnbull Administration and a number of members from the legislature. The Governor, in his 2004 State of the Territory address, called the initiatives reactionary and regressive, stating that it was no one else's duty to exercise fiscal discipline on their behalf.

17. In August 2003, the Governor submitted a balanced General Fund budget for fiscal year 2004 of $557 million after debt service. The budget passed by the Legislature included additional proposals for increased spending, which in the Governor's words were funded by "one-time non-recurring revenues". He therefore vetoed the budget. Under the Organic Act, the budget for fiscal year 2004 is now the one previously passed by the Legislature for fiscal year 2003.

IV. Economy

A. General

18. In 2002, the gross domestic product (GDP) per capita in the Virgin Islands was estimated at $16,000. In mainland United States during the same year, GDP per capita was estimated at $36,300. Tourism is the primary economic activity, accounting for more than 70 per cent of GDP. It is followed by the manufacturing sector, which consists of petroleum refining, textiles, electronics, pharmaceuticals and watch and jewellery assembly.[14]

19. For the first three quarters of fiscal year 2003, economic health as measured by employment and output were mixed. The construction, manufacturing, information and other services sectors declined; wholesale and retail trade, leisure and hospitality, and education and health services improved; financial activities and professional and business services showed no improvement over fiscal year 2002.[15]

20. According to the Governor, one of the key elements in the fiscal recovery plan was to strengthen the Economic Development Commission programme to allow them to "continue to attract new investment and new tax revenue to the Territory". He noted that the success of the programme "particularly in the financial services sector, has added more than $100 million to the revenue base". The Governor said that the Administration would work with the United States Internal Revenue Service to develop fair and transparent rules in order to prevent any abuses in the programme and to lay the foundation for continued investment and growth. According to the Governor, in the last year the Economic Development Authority approved 65 new businesses, which would invest over $25 million in the economy and create more than 1,000 new jobs. Also, there was a need to reform the property tax laws in order to "improve fairness in assessments and to increase efficiency in collections". As a result of Federal District Court action, property tax collections in

fiscal year 2003 had decreased 40 per cent from previous years. With reform of the property tax system and with an increased property tax base resulting from new housing construction, there were expectations of property tax revenues increasing significantly in the coming years.[16]

21. In September 2003, United States Secretary of the Interior Gale Norton hosted an investment development conference for the United States Overseas Territories in Washington, D.C., the first of its kind, to promote the Territories' potential for business investments. Among the topics covered at the conference were financing and procurement, industrial parks, water, wastewater, recycling infrastructure, and tourism options including the cruise sector and theme parks.[17]

22. Positive signs for the local economy did appear in 2003 in the form of new investments in public and private sector capital projects. For St. Croix, whose economy has been the hardest hit, fast track procedures were developed last year to expedite a number of projects. Under these procedures, over $45 million of projects have now been given permits, are under construction, under contract, or out to bid, including the refurbishing of a medical facility, new housing and restorations projects and island-wide road paving and repair. In St. Thomas the commencement of a long-delayed $150 million Yacht Haven Hotel and Marina is under way. The project, which includes retail shops as well as a hotel and a marina could open in 2005. If permitting issues are resolved, the western end of St. Thomas would also see a $160 million Botany Bay development. Another $80 million in capital projects are under way for St. Thomas, with an additional $36 million on St. John.[18]

23. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the mainland United States.

B. Economic sectors

1. Agriculture and fisheries

24. See last year's working paper (A/AC.109/2003/1), paras. 17-18.

2. Manufacturing and industry

25. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum, which is responsible for 15 per cent of the Territory's export revenue.

26. Employment in manufacturing has dwindled in recent years, owing primarily to the closure of several watch assembly plants in the Territory in the late 1990s. In 2000, the United States Congress approved legislation sponsored by the United States Virgin Islands Delegate to extend federal wage credits, originally designed for

the Territory's watch industry, to manufacturers of fine jewellery. In October 2002, Congress extended and expanded this legislation for an additional eight years, to 2015. The manufacturing sector, primarily the watch industry, lost another 50 jobs in fiscal year 2003, after the largest employer and the second largest watch exporter closed operations in December 2002. Currently, there are three firms in the industry employing about 119 workers.[19]

27. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere. In 1998, the Hess Oil Corporation formed a 50 per cent joint venture with Petróleos de Venezuela to own and operate the refinery. The new corporate entity was named Hovensa L.L.C. Venezuela supplies Hovensa with more than 50 per cent of its crude oil. A new $600 million coker plant, which began operating in August 2002, enables the refinery to process a heavier and less expensive grade of crude oil. In November 2002, the Territory's Public Finance Authority allocated up to $27.5 million in private-activity bond funding for the coker project.[20] Construction to build a $650 million desulphurization unit in the refinery to meet federal Clean Air Act standards was delayed in 2003, following protest strikes, which paralyzed Venezuela at the end of 2002. The refinery had to cut its output of oil from 440,000 barrels to 270,000 barrels daily, causing the refinery financial losses of $90 million in 2003, and resulting in the layoffs of 300 of the 2,500 workers employed. Hovensa's situation improved during the summer of 2003, with increased shipments of Venezuelan crude oil. The company announced, however, that it would not increase its workforce to the levels prior to the layoffs until the resumption of regular crude oil production, and improvements in the United States economy were sufficient to sustain demand for petroleum products.[21]

3. Construction

28. The finalization to Hovensa's coker unit in 2002 brought a reduction in the 2000 construction jobs that the project had added to the economy. In fiscal year 2002, the construction sector was the strongest performer, averaging 3,182 jobs, driven by private sector capital projects, such as Hovensa's coker unit, and the expansion and refurbishment of the Ritz Carlton Hotel and Timeshare in St. Thomas. Public sector infrastructure development projects such as the St. Croix airport expansion, bay dredging, and roads and housing construction also fuelled the growth in construction. However, with the completion of the coker unit and other capital projects nearing or reaching completion, construction jobs have fallen nearly 39 per cent from June 2003 fiscal year-to-date. However, construction is expected to be strong over the next year supported by major hotel and casino construction, the upgrade and expansion of roads, housing and seaports, and the development of commercial and residential properties according to the Bureau of Economic Research.[22] The construction of Hovensa's desulphurization unit is expected to create between 600 and 800 construction jobs. Lower mortgage rates are also expected to boost private home construction and real estate development.

4. Tourism

29. The tourism sector accounts for more than 70 per cent of the gross territorial product and employs, directly and indirectly, around two thirds of the workforce. Hotel occupancy averaged 56.9 per cent in 2003, according to the Government's Bureau of Economic Research. The number of hotel and condominium rooms had

fallen slightly to 5,064 from 5,095 in 2002. The hotels accommodated a total of 691,762 overnight guests last year, up 6.3 per cent from 2002. Visitor arrivals by air totalled 618,703, an increase of 3.5 per cent from 2002. A total of 1,773,948 cruise visitors arrived in 2003, up to 2 per cent over 2002 numbers. In March 2004, it was announced that a new Italian 2,200-passenger cruise ship would visit St. Croix seven times starting at the end of 2004.[23] The overall total of visitor arrivals was 2,392,678, representing an increase of 2.4 per cent over the 2002 total.[24] According to the Governor, the increased number of overnight visitors in 2003 generated a nearly $4 million increase in the Tourism Revolving Fund, which would allow a further increase in the marketing and promotion of the Islands.

30. In January 2003, the Virgin Island Port Authority voted to increase by 25 per cent the fees it charges airlines, beginning on 1 February 2003, to help fill a $5 million budget gap. The move met vigorous opposition from the airlines and the tourism sector. Airlines warned that they would reduce service to the territory. American Airlines followed through on the threat, dropping all American Eagle flights between St. Thomas and St. Croix and laying off all American Airlines employees. As a result, in August 2003, the Port Authority bowed to the pressure and voted to return the fees to their previous levels, effective 1 October 2003.[25] Beginning in April 2004, Danish charter flights from Europe will arrive in St. Croix and it is anticipated that at least 2,000 Danes will visit the island during 2004.

31. Reporting on tourism during his State of the Territory address on 26 January 2004, the Governor noted that much of the tourism investment continued to be geared to revitalizing the economy of St. Croix, which had gone into recession after Hurricane Hugo in 1989. He reported that the multimillion-dollar expansion of the Henry A. Rohlsen International Airport runway and terminal in St. Croix had been completed, allowing for the landing of jumbo planes, and that the new air traffic control tower would soon be finished. The Administration would spend $2 million in federal highway funds to extend the Christiansted boardwalk from the Holger Danske Hotel to the seaplane terminal. They have committed $11 million from the recent bond issue to redevelop and revitalize the Frederiksted waterfront, and had set aside $15 million from the same bond issue to rehabilitate and restore historic buildings on all three islands, which all serve as a major tourism attraction.

C. Finance

32. See last year's working paper (A/AC.109/2003/1), paras. 25-26.

D. Transportation and communications

33. The Territory has five major docking facilities which can accommodate cruise ships and some naval vessels. Three of the docks are on St. Croix, namely South Shore, Gallows Bay and Frederiksted, and the remaining two are on St. Thomas, namely, the facilities operated in Crown Bay by the Virgin Islands Port Authority, a semi-autonomous government agency, and those privately owned by the West Indian Company. Still-to-be-implemented capital projects mentioned in the 2002 budget are the following: on St. Thomas, the development of a ferry and marine terminal at Red Hook Marine facility, continued harbour dredging, upgrading of the Charlotte Amalie waterfront and expansion of the Crown Bay dock; on St. Croix, the

expansion of the Gallows Bay Dock; and, on St. John, the construction of the long-awaited $16 million Enighed Pond commercial port facility.

34. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry Rohlsen Airport on St. Croix. St. Croix's airport expansion project, which was completed in 2002, includes a new terminal and a control tower expected to open soon and a lengthened 10,000-foot runway, allowing jumbo aircraft to be flown directly to St. Croix from the United States, Canada, Europe and South America.

35. In his State of the Territory address, the Governor announced that in a new reauthorization bill, federal funding for Virgin Island highways, which was still pending in Congress, was scheduled to increase each year over the next six years from a current level of $13.6 million to approximately $30 million a year by the end of the sixth year of the programme. It is anticipated that the final bill will also allow the Government to use these increased funds to repair local roads that feed into the federal highways, fund scenic bypasses, and improve mass transit options.

E. Utilities, water and sanitation

36. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John.

37. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

38. The Territory's waste disposal systems are in urgent need of improvement. (For details on the Territory's waste disposal systems, see last year's working paper A/AC.109/2003/1, para. 32.) Improvements to the system will be funded through combined Department of the Interior grants and rum tax revenues, and will bring the Virgin Islands into full compliance with the Federal Clean Water Act for the first time in 25 years. The first $5 million instalment of federal funds was received at the very beginning of 2004. In order to ensure that environmental concerns receive the resources they require, the Governor, on 22 January 2004, signed into law the Waste Management Authority Legislation for the Islands. Lastly, in 2003, thousands of abandoned and dilapidated cars were removed from the roadways and a contract was now in place to remove the scrap metal out of the Territory.

V. Military issues

39. See last year's working paper (A/AC.109/2003/1), para. 33.

VI. Social conditions

A. Labour

40. Employers in the United States Virgin Islands must follow federal and territorial labour laws, such as those on minimum wage, hours, standards of safety and occupational health and payment of social security and unemployment insurance. In recent years, the Government has focused on reducing employment in all three branches of government while promoting private enterprise and investments to create new jobs. However, employment statistics from the Labour Department reveal that the unemployment rate rose to 9.5 per cent in fiscal year 2003 from 8.4 per cent in fiscal year 2002. During the same period the number of jobs in the Territory fell by 270 — to 44,280. Total public sector employment, which accounts for 30 per cent of all jobs in the Territory, was virtually at the same level as in fiscal year 2002. There are currently 12,545 public sector jobs compared to an average of 12,518 in fiscal year 2002. The number of local government jobs averaged 11,626 in fiscal year 2003 compared to 11,621 jobs in fiscal year 2002. Local government jobs are expected to decline in fiscal year 2004 as part of the Government's cost-cutting measures. There is expected to be no major change in federal government jobs, which averaged 919 in fiscal year 2003, up slightly from 905 in fiscal year 2002. The addition of federal government security agents at the Territory's airports is largely responsible for this increase.[26]

B. Education

41. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. The 2000 Census data issued in February 2002 reflected school enrolment of children three years and older to total 32,119. Of those, 52.5 per cent attended elementary school, 23.2 per cent attended high school and 9 per cent attended college or graduate school. The Census also reported that 60.6 per cent of the population aged 25 and over are high school graduates while 16 per cent have bachelor's degrees or higher.

42. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and approximately 2,500 full- and part-time students. It offers bachelor's degrees in 33 fields and master's courses in education, business administration and public administration. In January 2002, the territorial Senate passed legislation to create the University's Research and Technology Park on St. Croix. Although, construction has been delayed by controversies over the use of farmlands for this project, in January 2003, the Governor stressed the need to recruit new specialized companies to establish operations in the planned technology park.

43. One of the issues of concern in recent years has been the Territory's high school dropout rate. (For details, see last year's working paper, A/AC.109/2003/1, para. 37.)

44. For the last years, and again in January 2004, the Governor has spoken of education as the number one priority of his administration. This matter became even more pressing in 2002 after all four of the Territory's public high schools lost their accreditation with the Middle States Association of Colleges and Schools.

According to the Governor, the four public high schools have been granted candidacy status by the Middle States Association Commission and significant progress has been made in all the schools. Progress have also been made under the Compliance Agreement with the United States Department of Education. One of the major areas of improvement is the development of a detailed monthly reporting and reconciliation system to monitor the expenditure of federal funds and avoid the lapse of critical funds needed to upgrade the education of children. The Government is also working to improve teacher training and to provide enhanced professional development opportunities for teachers to increase the number of gifted and talented courses and advanced placement courses for the students.

45. Regarding academic standards in the Territory's public schools, the testing scores for fourth-graders and eighth-graders in reading comprehension are lower than the national average according to nationwide tests conducted by the National Center for Education Statistics. Out of a possible 500 points, Virgin Islands fourth-grade students averaged 179. The national average was 219. In 1998, the last time the Nation's Report Card tested reading comprehension, the fourth-graders had an average score of 174. The eighth-graders had a score of 241 this time compared to 231 in 1998. The national average was 262. The 5-point improvement for fourth-graders, however, is not considered significant but rather within the test's margin of error. The new data also shows that only 6 per cent of fourth-grade students and 7 per cent of eighth-grade students in the Virgin Islands are proficient in reading comprehension. By comparison, the national proficiency average is 30 per cent for the fourth grade and 31 per cent for the eighth grade. Virgin Island scores were either at or near the bottom of the national scale, with eighth-grade students scoring only better than American Samoa.[27]

C. Public health

46. The Roy L. Schneider Hospital on St. Thomas offers general service and has 169 beds. The Governor Juan F. Luis Hospital on St. Croix has 120 beds. There is also a 16-bed private hospital on St. Croix. While overall responsibility for health centres is held by the Department of Health, legislation enacted in 2000 created semi-autonomous administration for the major hospitals. In July 2001, the Governor Juan F. Luis Hospital on St. Croix received high marks and preliminary accreditation from the Joint Commission on Accreditation of Healthcare Organizations, an independent organization that evaluates health-care centres throughout the United States. Accreditation by the Joint Commission allows hospitals to remain eligible for Medicare funds and attracts grant-giving agencies, donors and highly qualified professionals. The Roy L. Schneider Hospital has yet to make the necessary improvements to apply for this accreditation.

47. Construction is now under way for a long-awaited Cancer Institute within the Schneider Hospital to alleviate the need for patients to be treated off the islands. To supplement a private donation to complete the state-of-the-art facility, $5 million have been set aside from the recent bond issue. The project is also being funded with $5.8 million from the Territory's tobacco settlement proceeds, $2 million from Partners for Health fund-raising and $1.7 million appropriated by the Virgin Islands Legislature to assist with personnel recruitment. In his State of the Territory address, the Governor announced that in 2003, another state-of-the-art $8.5 million cardiac care centre attached to St. Croix's hospital had opened. Additionally, for the first

time complicated brain surgery was performed in St. Croix. During 2003, the Department of Health established three new population-based prevention health services, including immunization, newborn genetics and metabolic screening, and newborn hearing screening. In January 2004, the first ever hospital-based practical-nurse education programme had begun at the Schneider Hospital, and in February 2004, a long-awaited reopening of a long-term mental health facility for St. Thomas took place. The reopening of a health clinic on St. John is also expected during 2004. In 2003, the Department of Human Services established a new programme to facilitate the transition of welfare recipients to the work rolls. During the last five years, 815 individuals had been put to work from this programme, reducing the welfare rolls by 75 per cent.

48. Among other capital projects expected to be developed in 2004 is a renovation of facilities in St. Croix to house elderly patients. The recent bond issue would fund $1.5 million of renovations for this purpose. A work in progress to build new dormitories at the Youth Rehabilitation Center on St. Croix is expected to be completed by August 2004. This should resolve the issue of mixing juveniles who have committed less serious crimes with those who have been involved in major criminal activities. A senior citizen centre on St. Croix is scheduled for completion by July 2004. Head Start classrooms for 84 low-income pre-school children and a conference centre for training pre-school teachers is part of the Sugar Estate Multipurpose Center on St. Thomas; work is scheduled to begin in 2004 and be completed in August 2005. Lastly, a task force to address the growing homeless population in the Territory has been established and is to develop a plan of action by March 2004.

49. HIV/AIDS continues to be a serious public health problem in the Territory. Federal statistics quoted by the media report the Virgin Islands as having the fourth highest per capita incidence of HIV/AIDS among the states and territories. The Centers for Disease Control's Surveillance Report notes that, as of December 2001, 248 Virgin Islanders were reported to be living with AIDS while 198 were living with HIV infection. However, it is considered that many of those who are infected with the virus are unaware of this. Local public health officials are working to meet the national challenge of cutting the number of new cases of HIV infection in half by the year 2005, while raising awareness among those who go untested and untreated. Currently, the Territory obtains funds through federal programmes for HIV/AIDS testing, medicating, prevention, education, counselling, and surveillance. In January, the Governor announced that the Department of Health was expanding its community-based and governmental initiatives in the areas of HIV/AIDS and mental health, while working closely with federal officials to protect the public from new public health threats, such as bio-terrorism, small pox and Severe Acute Respiratory Syndrome (SARS). A facility, being renovated for this undertaking, is expected to be completed in April 2004.

50. A health administration issue that has remained on the table for many years is the legislative cap on federal reimbursements for the health care provided to the uninsured poor in the Territory and efforts by the Territory's Government and its Delegate to Congress to have this cap removed. In October 2002, representatives of the Territory's two hospitals, the Delegate to Congress and the heads of the federal Center for Medicare and Medicaid began meetings in Washington to find ways to alleviate the Territory's financial shortfalls after paying the high cost of treating its

elevated number of uninsured patients. Grant applications to offset the federal cap were initiated in November 2002.[28]

D. Human rights and related issues

51. See last year's working paper (A/AC.109/2003/1), para. 43.

E. Crime and crime prevention

52. High crime rates are a matter of concern in the United States Virgin Islands. According to the Federal Bureau of Investigation's Uniform Crime Report, in 2003 the Islands recorded 30 homicides, down 30 per cent from a record 43 homicides in 2002, giving the Territory a per capita homicide rate which is five times the national average. The local media also report frequent incidences of domestic violence and child abuse. The Government has acknowledged that high crime rates undermine efforts to increase tourism and improve the economy. In 2001, the Senate passed legislation toughening the penalties for felons caught carrying illegal firearms and local prosecutors joined forces with the Office of the United States Attorney General to implement a new initiative called "Project Exile" to remove illegal guns from the community. In his latest State of the Territory address, the Governor stated that a small but vicious group of criminals, often well organized in gangs and usually involved in drug trafficking, had declared war on the general population. In partnership with various federal law enforcement agencies as well as the Commonwealth of Puerto Rico and the Government of the British Virgin Islands, the Administration would launch operations that would target the toughest criminal elements. The Governor also reported that the Police Department, among other initiatives, had established Project Safe Neighbourhood, a gun recovery and enforcement initiative.

53. According to government and police authorities, the transit of illegal drugs through the Territory is a root cause of much of the violent crime. In 1994, the Office of National Drug Control Policy designated the United States Virgin Islands, along with Puerto Rico, a High Intensity Drug Trafficking Area. In August 2001, the Virgin Islands Attorney General was elected to the rotational Chairmanship of the High Intensity Drug Trafficking Area Task Force, heading an Executive Board made up of local and federal law enforcement agencies from the Territory and Puerto Rico. The Task Force aims to reduce drug and gun smuggling and sales, money-laundering and related violent crime.

54. An Adult Correctional Facility, the Golden Grove Prison, holding approximately 600 inmates, is located on St. Croix. A $26 million expansion of the prison completed in February 2001 allowed for the return of 146 inmates who had been housed on the United States mainland due to overcrowding. This move prompted the federal Government to cancel the Territory's mainland incarceration debt of $10 million. In July 2002, the Virgin Islands Attorney General stated that the Territory would be partaking of a grant from the United States Justice Department to provide education and training for inmates who were to be released. The Attorney General said it would be used to lower recidivism among prisoners in the 14-25 age bracket.[29]

VII. Environment

A. Protection of natural resources

55. According to the Environmental Protection Agency's region 2 state of the environment report (1998), the ecosystem of the Caribbean islands faces threats not only from natural disasters, such as hurricanes, but also from human impacts, such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. The Caribbean Environmental Protection Division of the Agency has an office on St. Thomas through which it works with both federal and local agencies to address chronic problems, such as ecosystem loss and improper landfill spaces, as well as the catastrophic effects of hurricanes. Disposal of solid waste and sewage pose serious environmental problems in the United States Virgin Islands. In addition, reefs such as those near Salt River Bay in St. Croix depend on mangroves and sea grass colonies along the coast for protection against runoff. According to a scientific report published in the journal *Environmental Conservation* and quoted in the local media in April 2002, immediate and widespread protection of the environment is essential because "a combination of natural and human disturbances has degraded the mangroves, sea grass beds and the reefs around the Virgin Islands, and fisheries appear to be near collapse".[30]

56. In January 2001, days before he left office, former President Clinton signed a proclamation creating the new Virgin Islands Coral Reef National Monument in submerged lands off St. John. The designation furthered the protection of the Virgin Islands National Park created in 1956 and expanded in 1962.[31] The Monument covers 12,000 acres off St. John and also increases Buck Island Reef National Monument off St. Croix from 900 acres to some 18,000 acres. According to press reports at the time, the measure was controversial in the Territory, primarily among commercial fishermen who claimed their livelihood would be affected by the ban on fishing and anchoring in the area. In November 2002, the General Accounting Office issued a long-awaited opinion, sought by the Territorial Delegate to Congress, Donna Christensen, concerning the ownership of the submerged lands. It concluded that both the Buck Island Reef National Monument and the Coral Reef National Monument are federally owned. Soon after, Delegate Christensen reiterated that there must be close coordination between federal and local officials on the management of the areas and stressed that the Government would ensure that those who made a living from the waters would have some protection in place.[32]

57. In September 2003, the Senate voted to rezone 120 acres of environmentally sensitive land at Great Pond on St. Croix for what was described as a 400-room hotel and an 18-hole golf course resort and conference centre. Although environmentalists pointed out that it could damage Great Pond, one of the few remaining wetlands on the islands, Senators, although sympathetic to the concerns, said that they could not ignore the dismal state of the islands economy and reject a project that stood to offer 800 jobs in its construction phase and 1,200 permanent ones after its completion in November 2005.[33]

B. Disaster preparedness

58. The United States Virgin Islands faces recurrent hurricanes and flooding in addition to being located within an earthquake risk zone. While hurricanes Fabian and Isabel did not hit the Islands in September 2003, the rains that battered the Islands for a week in November 2003 triggered flooding and mudslides that caused an estimated $25 million in damage. Following the damage the Islands were declared a disaster area by President Bush in December 2003, paving the way for the Territory to receive funding through FEMA. FEMA, in general, provides programmes of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency. Nonetheless, the costs of the repairs of combined damages to homes, businesses, utilities and commercial buildings caused by Hurricanes Hugo (1989), Marilyn (1995), Georges (1998) and Lenny (1999) continue to cause fiscal and financial problems in the Territory, despite federal assistance through grants and loans and close to $500 million distributed by FEMA between 1995 and 2000. The territorial Government has resolved the problem of the federal loans covering Hurricane Hugo and is working on similar measures for loans on Hurricane Marilyn (see para. 15). In June 2000, the United States Senate Government Operations Committee approved a bill providing for the United States Virgin Islands to join the nation's Emergency Management Assistance Compact. This gives each member access to assistance from other member states or territories in the event of disasters, in addition to the assistance provided by FEMA.

VIII. Future status of the Territory

59. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, only 27.4 per cent of registered voters voted on the question (of which 80.3 per cent supported the existing status, 14.2 per cent voted for full integration with the United States and 4.8 per cent voted for an end to United States sovereignty). The result was considered invalid as less than the requisite 50 per cent of the electorate voted.

A. Position of the territorial Government

60. At the 7th meeting of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, on 12 June 2003, Carlyle Corbin, on behalf of the Government of the United States Virgin Islands, made a statement (see A/AC.109/2003/SR.7).

B. Position of the administering Power

61. In a statement made at the 72nd plenary meeting of the General Assembly, on 9 December 2003 (see A/58/PV.72), a representative of the United States said that the United States could not support the draft resolution (A/58/L.21) on the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples. By adopting a narrow definition of decolonization, the draft

resolution failed to take into account the complex reality of Non-Self-Governing Territories. For the United States, the very term "non-self-governing" seemed inappropriate for those who were able to establish their own constitution, elect their own public officers, have representation in Washington and choose their own economic path.

62. The United States was fully supportive when countries chose independence and was proud to welcome them as equal and sovereign partners. For Territories that did not choose independence, however, the United States also supported the right of people in those Territories to a full measure of self-government, including the rights to integration and free association. The world encompassed a variety of peoples, places and political circumstances, and that richness did not allow for just one path. The United States believed that a single standard of decolonization should not be applied to every Territory, and it called upon all Member States to respect the choices made by residents of Non-Self-Governing Territories. In conclusion, he said that the United States looked forward to a significant dialogue with the Committee of 24 in 2004, and that it was their hope that all parties would cooperate so that a reduction in the number of Non-Self-Governing Territories could be achieved.

C. Action by the General Assembly

63. On 9 December 2003, the General Assembly adopted without a vote resolutions 58/108 A and B. Section XI of resolution 58/108 B is devoted specifically to the United States Virgin Islands.

Notes

[1] The information contained in the present working paper was derived from information transmitted to the Secretary-General by the Government of the United States of America as well as from published sources.

[2] United States Department of the Interior, Office of Insular Affairs, *Strategic Plan 2000-2005*.

[3] United States Census Bureau, Press Release, 3 July 2001.

[4] *The Virgin Islands Daily News*, 28 August 2001.

[5] Information from the Office of the United States Virgin Islands Delegate to Congress.

[6] State of the Territory address delivered by Governor Charles W. Turnbull on 13 January 2003 and reproduced in full by *St. Thomas Source* on 14 January 2003.

[7] *St. Thomas Source*, 6 January 2003.

[8] Ibid., 9 January 2003.

[9] Ibid., 5 and 16 November 2002.

[10] State of the Territory address, delivered by Governor Charles W. Turnbull on 26 January 2004. Unless other sources are mentioned, all statements by the Governor quoted in the present working paper refer to that address.

[11] Department of the Interior, Office of Insular Affairs, News Release, 3 December 2002.

[12] State of the Territory address, delivered by Governor Charles W. Turnbull on 26 January 2004.

[13] *St. Thomas Source*, 21 November 2003, 13 December 2003 and 30 March 2004.

[14] United States Central Intelligence Agency, *The World Factbook, 2002*.

[15] United States Virgin Islands Bureau of Economic Research, www.usviber.org.

[16] State of the Territory address, delivered by Governor Charles W. Turnbull on 26 January 2004.

[17] *St. Thomas Source*, 11 August 2003.

[18] *The Virgin Islands Daily News*, 2 January 2004 and the United States Virgin Islands Bureau of Economic Research, August 2003, State of the Territory Address, 26 January 2004, pp. 9-10.

[19] United States Virgin Islands Bureau of Economic Research, August 2003.

[20] *St. Thomas Source*, 21 November and 11 December 2002.

[21] United States Virgin Islands Bureau of Economic Research, August 2003, www.usviber.org.

[22] Ibid.

[23] *Caribbean Insight*, 19 March 2004, vol. 27, No. 10, *The Virgin Islands Daily News*, 2 January 2004.

[24] *Caribbean Insight*, 20 February 2004, vol. 27, No. 7.

[25] *St. Thomas Source*, 21 August 2003.

[26] *The Virgin Islands Daily News*, 8 September 2003.

[27] Ibid., 23 June 2003.

[28] *St. Thomas Source, 15 October 2002*, and *The Virgin Islands Daily News*, 18 November 2002.

[29] *St. Thomas Source*, 9 September 2001 and 18 July 2002.

[30] Ibid., 23 April 2002.

[31] White House Press Office, 17 January 2001.

[32] *St. Thomas Source*, 18 November 2002.

[33] *St Thomas Source*, 4 September 2003, and *The Virgin Islands Daily News*, 22 October 2003.